



May 23, 2012

MEMORANDUM

To: Honorable Tom Coburn

Subject: 2008 Presidential Nominating Conventions Spending Data

This memorandum¹ responds to your request for data concerning expenditures by the 2008 Democratic and Republican national convention committees. As requested, accompanying this memorandum via e-mail are data in Excel format provided by the Federal Election Commission (FEC). This memorandum provides brief discussion of relevant regulatory provisions surrounding publicly financed presidential nominating conventions and points that may be useful as you review the data.²

Relevant Regulatory Provisions

Expenditure Provisions

The Internal Revenue Code (IRC) allows convention committees to spend Presidential Election Campaign Fund (PECF) amounts only for: (1) “defray[ing] expenses incurred with respect to a presidential nominating convention” or (2) repaying loans used to defray convention costs.³ The law is largely silent, however, on particular convention expenses. FEC regulations provide additional clarification by defining “convention expenses” (which may be paid for with PECF funds) to include costs related to:

- “preparing, maintaining, and dismantling” the convention site or equipment;
- personnel and staff bonuses;
- convention operations and planning;
- security;⁴

¹ Some information in this memorandum is adapted from other CRS products, including memoranda previously provided to your office and CRS Report RL34630, *Federal Funding of Presidential Nominating Conventions: Overview and Policy Options*, by R. Sam Garrett and Shawn Reese.

² Information in this memorandum may be used in other CRS products. For additional discussion of current campaign finance issues generally, see CRS Report R41542, *The State of Campaign Finance Policy: Recent Developments and Issues for Congress*, by R. Sam Garrett.

³ 26 U.S.C. § 9008(c).

⁴ The federal government provides separate security funding. Although PECF funds might be spent on security, it is likely that security would be paid for with other federal funds. For additional discussion, see CRS Report RL34630, *Federal Funding of* (continued...)

- transportation;
- entertainment;
- administrative items (e.g., office supplies);
- gifts for convention staff or volunteers (limited to \$150 per person or \$20,000 total);
- production of candidate biographical films; or
- investment of PECF funds if the profits are to be used to defray convention costs.⁵

Conversely, FEC regulations prohibit spending PECF convention funds on:

- candidate or delegate expenses for the convention, except in limited circumstances;
- any item that would violate federal or state laws;
- penalties resulting from enforcement of federal election law; or
- replacing lost or stolen items, except in limited circumstances.⁶

Disclosure Requirements

Like all political committees, convention committees must file regular financial reports with the FEC.⁷ These disclosure requirements shape the kind of information available in the data. As CRS has noted in other products, political committees (including convention committees) must report the name and address of the recipient of disbursements exceeding \$200⁸ and the purpose of the disbursement. Despite the “purpose of disbursement” itemization requirements, descriptions of individual expenditures do not necessarily provide detailed information about particular purchases.

FEC policy guidance has stated that these descriptions “when considered along with the identity of the disbursement recipient, must be sufficiently specific to make the purpose of the disbursement clear.” In general, however, political committees have broad leeway when describing their spending. For example, the commission has noted that generic terms such as “administrative expenses” are inadequate, but “salary” is sufficient.⁹

What the Data Include

At CRS’s request on your behalf, FEC staff¹⁰ provided the Excel data sets accompanying this memorandum. The data contain a summary of the “purpose of disbursement” lines and corresponding

(...continued)

Presidential Nominating Conventions: Overview and Policy Options, by R. Sam Garrett and Shawn Reese.

⁵ 11 C.F.R. 9008.7(a).

⁶ 11 C.F.R. 9008.7(b).

⁷ 26 U.S.C. § 9009; 11 C.F.R. 107.1.

⁸ FECA contains some exceptions. For example, all disbursements used to make contributions to another political committee must be itemized, regardless of amount. See 2 U.S.C. §434(b)(4).

⁹ The quoted material and additional discussion appears in Federal Election Commission, “Statement of Policy: Purpose of Disbursement,” 72 *Federal Register* 887-889, January 9, 2007.

¹⁰ In particular, CRS consulted with FEC Disclosure Business Architect Paul C. Clark, II, in the Office of the Chief Information Officer.

expenditure amounts from each convention committee's disclosure reports filed with the commission. The data aggregate all disbursements according to each unique description used in the "purpose of disbursement" line.

The following points may be relevant as you examine the data.

- The data were derived from all regularly scheduled disclosure reports filed by the 2008 Democratic and Republican convention committees. Formally, these entities are known as the *2008 Democratic National Convention Committee, Inc.*, and the *Committee on Arrangements for the 2008 Republican National Convention*.
- The data include only activity by the convention committees, not host committees or other entities that may be affiliated with the convention.
- Relying on all regularly scheduled reports filed by each committee, as the data discussed here do, alleviates the need to choose a particular reporting period for examination. That is, these data include aggregate spending for the entire life of the convention committees. If you are interested in particular time periods, however, individual reports would have to be consulted.
- The data exclude special filings, identified as "miscellaneous filings," which contain information such as agreements between host committees and convention committees and "memo items" that contain additional information about some purchases (e.g., descriptions of credit card items). The memo entries are available in original filings.
- The data reflect amended filings (e.g., corrections to erroneous previous filings).
- In an effort to meet your time-sensitive needs and given the exploratory nature of your questions, the data have not been "cleaned" to correct typographical errors or aggregate similar descriptions of expenditures into a single category. Specifically, the categories listed appear as filed with the commission. Consequently, some categories overlap. For example, as you will see in the Republican spreadsheet, line 8 lists approximately \$679,000 in "catering" expenditures, while line 11 lists approximately \$415,000 in "catering lodging IT & office space [sic]."

Discussion

This memorandum takes no position on whether particular expenditures would be permissible or impermissible under the IRC, FECA, or regulatory provisions noted above. As you consider expenditures, it may be noteworthy that the FEC audited both committees—a condition of receiving public funds. Although CRS is not an auditing agency, as a matter of campaign finance policy analysis, the report findings do not appear to be unusual.¹¹

Given the sometimes vague descriptions of expenditure types reported, it is difficult to assess how the convention committees spent some of their funds. These circumstances are not unique to the convention committees. As noted above, ability to characterize expenditures broadly applies to all political committees. In addition, although the choice of spending categories is, essentially, up to the reporting

¹¹ See Federal Election Commission, *Report of the Audit Division on the 2008 Democratic National Convention Committee, Inc.*, Washington, DC, April 13, 2010, http://www.fec.gov/audits/2008/Demo_2008_Conv_Cmte.pdf; and Federal Election Commission, *Report of the Audit Division on the Committee on Arrangements for the 2008 Republican National Convention*, Washington, DC, released September 8, 2009, http://www.fec.gov/audits/2008/20090908_cmt_for_2008_rep_conv.pdf.

committee, both committees appear to have been fairly consistent in classifying their expenditures. The Democratic committee used fewer than 100 different descriptions for expenditures of approximately \$14 million; the Republican committee used fewer than 200 descriptions covering approximately \$12 million in spending.¹² Particularly if typographical errors were corrected and similar descriptions were standardized, clearer information about major spending categories could be revealed. Nonetheless, given the disclosure requirements noted above, details about the rationale behind certain purchases, and what various categories mean in practice, are likely to remain uncertain.

I trust that this information meets your needs and hope that it will be helpful. Please contact me with any questions at rgarrett@crs.loc.gov or x76443.

¹² As we have discussed, the Republican convention ended a day early, and funds were returned to the PECF, due to Hurricane Gustav.
